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# **EBay Tax And Legal Issues: 5 Things Ebay Sellers Need To Know**

If you sell on eBay, it's imperative that you keep up with the laws and guidelines that affect your online business. According to E-Biz attorney Cliff Ennico (<http://CliffEnnico.com>), author of *The eBay Seller's Tax and Legal Answer Book*, staying informed and up-to-date on your legal responsibilities as an eBay seller can spare you many unnecessary problems. The following are a few of the most common issues that new eBayers often mishandle:

- **EBay income taxes.** Many sellers regard eBay as a hobby, but there are considerable advantages to treating your online selling as a business and filing a Schedule C. It qualifies you to take all the tax deductions to which self-employed people are entitled. And even if you lose money on eBay, you're able to apply that business loss against other income, such as your day job. Advises Ennico, "When in doubt, file Schedule C."

Unlike most nine to five jobs, when you sell online, you're responsible for withholding your own taxes. That means you need to get used to living on about two-thirds of your gross income and setting the rest aside. When you start receiving checks and PayPal payments, don't just run out and spend it all – start escrowing money for taxes.

- **Listing discrepancies.** You may not realize it, but your posted item descriptions are legally binding warranties. Your item must thoroughly conform to your posted description, or your winning bidder has every legal right to return it.

- **Posting Terms and Conditions.** Many eBay sellers go to one extreme or the other here. Some sellers scare away potential bidders by including page after page of Terms and Conditions. But maintaining terms that only a lawyer could wade through gives the impression that you're hiding something in the fine print.

Other sellers make the mistake of not having a Terms and Conditions section at all. However, it's important to clearly explain your policies and procedures. You need to tell your buyers – in plain English – what you will and will not be doing, and what they should expect from you.

- **Drop shipping.** If you're having the items you sell on eBay drop shipped, you have no control over inventory. You want to avoid getting into a situation where your auctions close and you can't deliver the items because your drop shipper has run out. That's why you need to be in regular communication with your drop ship supplier. You always want to know where their inventory levels stand, especially for your most popular sellers. You can also state on eBay that items are "subject to availability".

- **Illegal selling practices.** Few sellers understand the seriousness of shill bidding, and far too many engage in it. Having friends drive your bid prices up, when they have no intention of actually purchasing the items if they win, is considered a form of consumer fraud. While shill bidding can be hard to spot, eBay employs both software and employees to search for suspicious patterns. "Never collaborate with someone to artificially inflate your auction prices," cautions Ennico. "If eBay catches you, they'll not only kick you off their site, but they'll report you to your state attorney general for prosecution."

Ebay can be an exciting and lucrative venture, but it's important to remember that the law still applies there. Complying isn't difficult – it's just a matter of being aware. Knowing how to deal with these issues puts you in a very safe position, so you can focus on what you do best – selling profitably on eBay.

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